

story in today's Washington Post which reads, "The Army has publicly identified nearly \$6 billion in funding requests that did not make Bush's \$402 billion defense budget for 2005, including \$132 million for bolt-on vehicle armor; \$879 million for combat helmets, silk-weight underwear, boots and other clothing; \$21.5 million for M249 squad automatic weapons; and \$27 million for ammunition magazines, night sights and ammo packs. Also unfunded: \$956 million for repairing desert-damaged equipment and \$102 million to replace equipment lost in combat."

Mr. Speaker, the article goes on to further say, "The Marine Corps unfunded budget request includes \$40 million for body armor, light weight helmets and other equipment for 'Marines engaged in the global war on terrorism.'"

Mr. Speaker, this is simply outrageous. While the President tells the Nation that we need to stay the course, his own budget did not include the funds necessary to accomplish that goal.

Mr. PALLONE. Mr. Speaker, I want to thank the gentleman. We started this Special Order today talking about the lack of planning and the cost of the war and how we are getting all kinds of misinformation in that regard, and it continues. This is the problem. We are hearing now the President saying that he wants to go to the U.N. and internationalize the war, but we are still not getting any adequate information about what the strategy is, what the cost is going to be. And I think those are answers that the American people want.

I think, again, whether you supported the war in the beginning or you did not, I did not, I know most of us who spoke today did not, but that is not the issue any more. The issue is where are we going from here. We are still being given inaccurate information about where we are going.

Mr. CUMMINGS. Certainly the issue is accountability. We simply want accountability. We are asked to appropriate large sums of money, but the question is, where does the money go?

Mr. PALLONE. Mr. Speaker, I want to thank all of our speakers that joined us today.

#### CREDIBILITY GAP

The SPEAKER pro tempore (Mr. BURNS). Under a previous order of the House, the gentleman from New York (Mr. OWENS) is recognized for 5 minutes.

Mr. OWENS. Mr. Speaker, in concert with the theme that has just preceded me in the 1-hour session, I wanted to talk about the credibility of our present administration with respect to the war in Iraq also.

A lot of us have chosen to say that we are into a second Vietnam. And there are some people who are quite upset that we compared the war in Iraq to the war in Vietnam. It is true that

the war in Vietnam cost us 58,000 lives, and so far we have only lost 700 officially in Iraq. But should that be the barometer? 58,000 have not died; 58,000 wives, mothers, sisters have not yet cried.

But why wait until that happens? Why not see every human life as being sacred? Every life is sacred. The men and women who die on the battle field give us their total, and we ought to appreciate that by not jeopardizing it for goals that are questionable.

This is a war that should never have been. This is a war that does not have much to do with fighting terrorism.

□ 1615

Yes, Saddam Hussein is gone. He is out of office now, and that is a great benefit for the world, as well as the people of Iraq, but is the price worth it? Are we not paying too great a price just to get rid of Saddam Hussein?

We were never told that was just the objective. We were told it was a question of weapons of mass destruction, and it was a question of Iraq operating in concert with the al Qaeda terrorists. We were told that there were stockpiles of chemical weapons. We were told other reasons other than just getting rid of Saddam Hussein.

Saddam Hussein is gone. The price is too high. We are paying financially more than \$1 billion a week to keep the war in Iraq going. We are building schools in Iraq while we are denying construction funds to school districts here in America. We are doing a lot of other things in Iraq which drain money away from badly needed programs here, despite the fact that Iraq has oil deposits which should be able to pay the cost of any rebuilding of Iraq eventually.

So what do we do at this point? Do not ask us to keep begging our troops to remain loyal and steadfast and sacrifice their lives unless you have an exit strategy, a reason for it. We do not want to see 58,000 die.

Our Vietnam memorial wall is one of the greatest monuments of its kind. It does not celebrate one general or a handful who led the war. It celebrates and makes us remember every individual who died. All of our war memorials in the future should do that. Every individual gave their life for their country, for the cause. Regardless of what you think of the cause, they, as individuals, are heroes. We do not want another memorial wall of heroes unless it is absolutely necessary.

Vietnam turned out not to be necessary. The domino theory was not correct. We lost Vietnam, and we still won the Cold War with the Soviet Union. We still won the Cold War with the Soviet Union. We did not go on from Vietnam to other areas.

We have a great affinity and alliance with Communist China right now, which baffles me. Why are we so kind to accommodate China and have so many business dealings with them if we fought and died in Vietnam to keep communism from extending itself across the world?

So my plea is that let us understand the lessons of Vietnam without having first to see 58,000 die. Fifty-eight thousand should not have to die for us to understand that we need to work backwards and understand that eventually we are going to settle this war in Iraq like we settled the complex war in Vietnam.

There was an argument about what the shape of the table would be. Let us look at the same table they used in Vietnam, and let us begin right now to negotiate backwards exactly what our terms are going to be and how we are going to get out and maintain law and order. And I am in favor of maintaining law and order until we do have a strategy and exit that can leave the people of Iraq in better shape than we found them.

Let us do it now. Let us share that plan with Members of Congress. Let us share that plan with the public. Let us share power with all of the members of the United Nations Security Council and all the members of NATO. Let us challenge them to come forward and help us bring it into this. We need more troops. Let them come from Russia, let them come from China, let them come from France, let them come from Germany, but give them the power to help make decisions and exit from Iraq before we have 58,000 of our loyal soldiers die.

#### APPROPRIATING MONEY

The SPEAKER pro tempore (Mr. BURNS). Under the Speaker's announced policy of January 7, 2003, the gentleman from Michigan (Mr. SMITH) is recognized for 60 minutes.

Mr. SMITH of Michigan. Mr. Speaker, today I am going to discuss what Congress is doing in the last several weeks and the next several months, and that is appropriating money.

A week or so ago, most of the people in the United States were completing their tax bills. This is sort of a tutorial on what happens to the tax dollars of American taxpayers and what happens to the FICA tax, the payroll deduction tax, taken out of American workers.

I start with a pie chart, if you will, Mr. Speaker, and this pie chart represents how we are spending the \$2.4 trillion that we are budgeting for this coming year. We see the biggest piece of pie is Social Security at 21 percent. The previous speakers were talking about defense. Defense and national security, they are probably the prime objectives of the Federal Government compared to what State governments do, and yet we have diminished the share of total Federal spending of defense since World War II down to 20 percent of the total expenditures of Federal Government.

I want to especially pay attention to the 14 percent that says interest. The interest of the Federal Government now is \$240 billion a year. That is the interest that we are paying on the national debt. It is an interest rate that

is almost at record lows. Alan Greenspan, the Chairman of the Fed, said today in testimony that interest rates probably are going to increase. We know what interest rates are today, a little over 4 percent for the prime. Compare that to the early 1980s where interest rates were approaching 12 and 13 percent.

Now, if we have a 14 percent of the budget, a cost of \$240 billion on the interest we pay out for this increased debt of overspending, that that side of the aisle and this side of the aisle and the Senate and the White House have been overspending, spending more money than has been coming in, if interest rates were to double, and we continue increasing the size of the debt, it is easy to see that servicing that debt is going to be a huge challenge, even for a Nation as rich and as prosperous as the United States of America.

What happens to empires that do not pay attention to serious problems are empires that diminish and cannot survive. So I suggest, Mr. Speaker, it is so important that we start looking at our overspending and our overpromising.

Briefly, to go around the piece of pie, discretionary spending uses up 16 percent of the budget. Discretionary spending is what we spend most of the year doing with our appropriation bills.

Other entitlement spending, the food stamp program, the WIC program, the welfare program, the other entitlement programs, if you reach a certain age or a certain level of poverty, you are automatically entitled to some of those payments. That is what entitlement programs are.

Then we have Medicaid, now at 6 percent of the budget, Medicare at 12 percent of the budget. The projections are that Medicare will overtake Social Security as far as cost within the next 20 years, and that leads me to the overpromising.

Two bad things that Congress does and the administrations for the last 25 years have done, and that is make a promise when they do not know where the money is coming from, and I call that unfunded liabilities.

The unfunded liability report that came out 3 weeks ago, when the actuaries of Social Security and Medicare met, were enormous, and their estimate is that the unfunded liabilities, to pay for programs that we promised but do not have the money to pay for, and so we need extra money on top of the payroll tax and the FICA tax and the other revenues coming in for those programs, amounts now to \$73.5 trillion. And remember, what is our budget? Our budget is now \$2.3 trillion this year, about \$2.4 trillion we are anticipating for next year.

In breaking it down, there are two parts to Medicare. Medicare Part A is mostly the hospitals. Medicare Part A is projected by Tom Savings, one of the actuaries of Social Security, and he is also an actuary of Medicare, he is estimating \$20.8 trillion; Medicare Part B,

mostly doctors, \$23.2 trillion. Medicare Part D, drugs, the drug program that we passed last November, is now estimated to be \$16.6 trillion. Last November when we passed that bill, Tom Savings, the same person, estimated the unfunded liability to be about \$7.5 trillion, and now with the new report that has just come out for Medicare and Social Security, the estimate has dramatically gone up, and that is based on the increased cost and the increased number of people that are expected to use the program.

Then we come to Social Security, Social Security, a program that was started in 1934 by Franklin Delano Roosevelt. We have made promises in excess of the money coming in from the Social Security tax that amounts to about \$12 trillion. The estimate is between \$11.9 trillion and \$12.3 trillion that we would have to put into a savings account today that is going to have a return to cover inflation and the time value of money to accommodate the money that is going to have to be paid out in future years. So if you want to be really dramatic, you can say what we are going to need in the next 75 years is \$120 trillion more than is coming in to Social Security to pay promised benefits.

So what are we going to do? Are we going to reduce benefits? Are we going to increase taxes? Is it going to be a combination? What we have done historically in this country is the combination. We have increased taxes and reduced benefits, and I think the danger might be demonstrated by the predicament that some other countries of the world now find themselves in.

France, for example, the percentage of the payroll that is used to finance the senior citizen population in France is now over 50 percent. So you can imagine a company or a business trying to compete in world trade that has one of two choices with that kind of cost coming out of the payroll tax. They either have to increase the price of their product to pay for it, or they reduce what they are paying to workers. Either way, let us not allow that to happen in the United States.

The country of Germany just went over 40 percent in terms of the amount of payroll tax that is required for their senior population. I just think it is very important that when we talk about this unfunded liability, you compare it. That is about seven times the total production of the United States, the GDP. So it is about seven times GDP. At a little over \$2 trillion a year, that means that we would have to come up with the equivalent of about 35 years of government spending to accommodate what would need to be put in a savings account now.

So why do not we pay attention to some of these huge challenges that are facing this country? Let me give you my best guess.

Politicians have discovered that they are more apt to get reelected or elected if they promise more and more bene-

fits, and, look, there are a lot of problems out there. There are a lot of things that need to be doing. So the question is, how much should government do? But we now have evolved into, if you will, dividing the wealth with our tax system where we have 50 percent of the adult population that now pay less than 1 percent of the income taxes in this country. So 50 percent pay less than 1 percent of the income taxes.

What is the natural reaction of some of those 50 percent? The natural reaction is to elect Members to Congress that bring home more pork, that bring home more benefits, that start more social programs, and that is what we are evolving into.

I am a Republican, a farmer from Michigan, and we are now doing our Lincoln Day banquets, the Republican fund-raising dinners, celebration dinners of Lincoln's birthday. It is the 165th birthday of Abraham Lincoln. In his famous Gettysburg Address, he sort of expressed a wonder whether a Nation of the people, by the people and for the people can long endure.

□ 1630

And I think that challenge is now before us.

We hear other Members talking about the conflict of this war. Certainly we have had huge challenges, such as the Civil War. But I would respectfully suggest that the challenges of overspending and overpromising are probably greater in terms of the survival of this great Nation than any of those wars. So somehow, how do we get the discipline to try to make changes?

I chaired the bipartisan Congressional Task Force on Social Security and served on the Committee on the Budget for 8 years and have sort of been on my soapbox, pulling my hair and complaining about the fact that we are not dealing with the increased cost of Social Security and Medicare and our reduced ability to pay for that dramatic increase in cost.

This is another demonstration of the unfunded liabilities. It just says that if we do not make some changes by 2020, 16 years from now, we are going to have to take out 28 percent of that pie chart that we started out with. We are going to have to use 28 percent of the general fund budget to accommodate the shortage of money that is needed to cover those three programs: Medicaid, Medicare and Social Security. By 2030 it is going to be over 50 percent that is required of that budget.

This body and the Senate quite often do not deal with problems until the disaster is almost on us. But the problem with solving Medicare and Social Security is the longer you wait, the more drastic the solution is going to have to be.

The Social Security bills that I introduced when I first came to Congress in 1993, 1994, and 1995 were much simpler then because we had surplus money coming in from Social Security. Right

now, this year, coming in from the Social Security FICA tax will be \$645 billion. What we are using to pay benefits out of that money coming in is \$490 billion. So there is a little surplus there that we could do something with. But what we do is we spend it for other government programs.

My caution is that this money is going to be running out in the next 8 or 10 or 12 years, and at that time we will have less money coming in from the Social Security FICA tax. That is 6.2 percent on workers now and 6.2 percent on the employer. But, really, if you are going to be fair, it all comes out of the employee's pocket when an employer has to pay part of it, even though it is not a deduction on the check of the employee.

So here is a time that we have more money coming in that offers us the opportunity to make changes to the program and use that surplus money coming in. In my Social Security bill that I introduced 10 years ago, I did not require any extra funds. The Social Security bill that I have introduced this session requires that we borrow almost \$1 trillion from outside borrowing to accommodate a transition to keep Social Security solvent for the long run.

I thought it would be good just to give sort of a thumbnail impression on a chart of the predicament we face in Social Security in the future. What happened with the Greenspan Commission in 1983, they decided the way to solve the Social Security problem and the increased number of seniors in relation to the people and workers paying in that money was to raise taxes and reduce benefits. So they said, starting in 2001, we would start increasing the retirement age for maximum benefits from 65 to 67, and they said we are going to dramatically increase the taxes that are charged to American workers by a 20-plus increased percentage on the increase in taxes.

Here is how Social Security works. Benefits are highly progressive. Everybody pays the 12.4 percent tax. If you are self-employed, you pay it all yourself. If you have an employer, then, theoretically, the employer does not pay you quite so much and the employer pays 6.2 percent and 6.2 percent is deducted from the employee's wages. At retirement, all of a worker's wages, up to the tax ceiling, which is now \$89,000, are indexed to the present value using wage inflation.

In other words, it is not complicated, but if wages for a particular job double every 12 years, and you were making \$20,000 12 years ago, then that would be indexed in the computation of your Social Security benefits up to \$20,000. So it is what that particular job would pay today is how they calculate the kind of benefits you are going to get.

And here is how it is calculated. The progressivity of the program says if you are a low-wage earner, earning less than \$7,344, you get 90 percent back in Social Security checks of what you were making while you were working.

Then the difference between the \$7,300 and the \$44,000 is 32 percent. So 32 percent of the earnings between the \$7,300 and the \$44,200 you get 32 percent of that back, and you only get 15 percent back over the \$44,000.

Now, what I do in my Social Security bill to come up with some of this extra money, I add what are called ben points, but I add another ben point of 5 percent. What that means is that if you are a high-wage earner retiree, the increase in your benefits are slowed down. So we make it a little more progressive and we save some of the money to make the transition to really investing some of this money that is coming in and getting a better return than the 1.7 percent that the average retiree gets in Social Security.

Let me just mention that early retirees receive adjusted benefits. So the actuaries make the best guess of how long the average person is going to live. So on average, the person that retires at 62, with a slightly lower benefit, is going to receive the same total benefits by the time they die as the individual that waits to 65 or 66 to start drawing benefits.

And, by the way, if you wait until you are age 66 or 67, there will be a 4 percent increase for each one of those years to increase your Social Security benefits. So if you are jogging, if you are really healthy, it might be in your best interest not only to wait from 62 to 65, but to maybe wait and retire at 66 or 67.

SSI, by the way, does not come out of Social Security. There is a lot of concern amongst my constituents in lower central Michigan who complain about those who are receiving Supplemental Security Income payments who do not deserve it. But SSI comes out of the general fund. Even though the Social Security Administration administers and handles that program, it does not come out of the Social Security trust fund.

Well, insolvency is certain. We know how many people there are, we know when they are going to retire, we know that people will live longer in retirement, we know how much they will pay in, and we know how much they will take out. Also, the payroll taxes will not cover benefits starting in 2017. The shortfalls will add up to \$120 trillion between 2017 and 2075. The \$120 trillion is what we are going to need in future years. What we need right now is to put \$12 trillion in a savings account with compounded interest that will grow at least at the rate of inflation.

The demographics are what is bringing this pay-as-you-go program to a crisis situation. There are 78 million baby boomers beginning to retire in 2008. The baby boomers are what we call those babies that were born right after World War II, roughly from 1946 to 1966, that age group, that are now in their maximum earning. So they are paying in maximum social security taxes, but also, when they retire, number one they stop paying those taxes in

and they start taking out maximum benefits.

The baby boomers that are retiring probably will be the most well-off generation that we probably have ever had in this country, possibly the best well-off generation that we will ever have in this country, considering the fact that we are putting a huge burden on future workers and future retirees by making more promises than we can afford and going deeper into debt.

Social Security spending exceeds tax revenues in 2017, and so Social Security trust funds go broke. Technically, if we pay back the \$1.4 trillion that we now owe the Social Security trust fund, then that will allow Social Security to continue. But the problem is that the trust fund contains nothing but IOUs.

And here is a worse situation, or a more dangerous situation. The Supreme Court, on two occasions now, has said that no one is entitled to Social Security benefits, and it does not make any difference whether you paid in social security taxes. Social security taxes are simply another tax, is what the Supreme Court said; and benefits from Social Security are simply a new benefit passed by Congress and signed into law by the President.

This chart sort of pictorially represents the demographics of living longer, of seniors living longer and the birthrate going down. So back in 1940, there were about 36 workers paying in their Social Security tax for every one retiree. By the year 2000, it came down to three workers. So we dramatically increased taxes. The estimate by 2025 is that there is going to be two workers paying in their Social Security tax for that growing number of seniors. There is going to be two workers paying in their tax to accommodate the Social Security benefits of every one retiree.

This is a huge challenge in terms of putting this kind of pressure on our workers, and we talked about what has happened to the tax rate in countries like France and Germany and the predicament that now Japan is facing with their senior population.

I did this picture of FDR just to start a discussion of should we have privately owned accounts. When Franklin Delano Roosevelt in 1933 started advocating a Social Security System of mandated savings while you are working, to help assure that you will have a little Social Security instead of going over the hill to the poor house when you retire, he started out saying that individuals should own their own savings account, but it should be a law that they had to put so much money in it, and that it should be a law that they could not take it out until they reached the retirement age of 65.

By the way, when we started Social Security, the retirement age was 65; but the average age of death was 62. That meant most people paid in their Social Security tax but did not live long enough to take out Social Security benefits. And, of course, the program stayed funded very well. But

today, the deduction is made on your payroll check; and immediately, within 3 or 4 days, that money is sent out to beneficiaries. So we are going deeper in the hole even as we increase taxes and reduce benefits.

Social Security benefits are indexed to wage growth. And I say that because I hear so often many of my colleagues saying that when the economy gets better, then everything will be okay. But because benefits are indexed to the wages you make, and even if there are more people that have a job and more money coming in to Social Security in the form of taxes, and maybe some are making higher wages so they pay in a higher amount, that 12.4 percent times the higher amount of earnings, because eventually when they retire they are going to take out more from Social Security, in the long run economic growth does not solve the problem that we are facing with Social Security running out of money.

□ 1645

Growth makes the numbers look better now, but leaves a larger hole to fill in the future. I think what has happened with a lot of Members of Congress is that it is easy to put off the solution. When I give speeches in Michigan and around the country, a lot of people say if Congress would just keep their hands off the Social Security trust fund and that surplus money, everything would be okay.

Well, I did this bar chart to represent what the Federal Government now owes the Social Security trust fund. We borrowed \$600 to \$700 billion; but because we will write another IOU for interest, the total debt that government owes the Social Security trust fund is now \$1.4 trillion; but the total problem needs \$12.2 trillion. So we owe \$1.4 trillion that is in the trust fund, but to solve the problem we need between \$11.9 trillion and \$12.3 trillion to solve the problem. Government should stop taking that money and spending it for other government purposes. We also need to start investing some of the short-term surplus we have had.

Like I mentioned, coming in from the Social Security trust fund today, there is about \$645 billion, and what we are paying out in benefits is \$490 billion.

I will jump to the second blip. The Social Security trust fund contains nothing but IOUs; and to keep paying promised benefits, payroll tax will have to increase by nearly 50 percent, or we will have to cut benefits by a third. I have a chart that I will be coming to on how Washington has increased benefits over the years. But I wanted to show this chart to try to demonstrate that Social Security is not a good investment. It is nice to have that guarantee. Nobody is suggesting any Social Security reform. Certainly not in the five or six bills that I have introduced, nobody touches the disability portion, so getting hurt on the job continues to be a Federal Government insurance policy and no-

body is touching that. All we are dealing with is the old age and survivor benefit portion of Social Security. By the way, in only 5 years, the disability insurance is going to have less money coming in from that particular trust fund than is needed to accommodate disability payments.

This chart shows that the average return for the average retiree is 1.7 percent of what they and their employer sent in to Social Security. I put down what has happened in the last 10 years in the Wilshire 5,000 stock market. The Wilshire 5,000 earned, even with the 3 bad years we have been experiencing on stock markets and equities, the average over the last 10 years has been 11.86 percent. If we take the last 100 years in this country where we have kept track to what has happened to stock and equities, the average is 7.4 percent. So in some way, we can guarantee that you can have a better return on your private accounts. And so what I do in my proposal in my bill, I allow 3.5 percent of your wages to be put into your own personal retirement account and then we limit where you can invest it. Simply to try to get Democrats on board, and my bill is a bipartisan bill, we have added provisions where any investment is going to be limited to index stocks and index bonds.

But I think one of the challenges that needs a lot of explaining is the fact that we hear Members of Congress brag sometimes that we are paying down the debt, and that is not true. One of the strong advocates of explaining the fact that the debt is never really reduced is the gentleman from Maryland (Mr. BARTLETT).

Mr. Speaker, I yield to the gentleman for his comments and maybe a couple of his solutions on Social Security, Medicare, going deeper into debt, and unfunded liabilities.

Mr. BARTLETT of Maryland. Mr. Speaker, I would like to spend a moment talking about the debt and some terminology that we use. I suspect there is not one person in 100 outside the beltway, and maybe not many more than that inside the beltway, that knows that the public debt and the national debt are not the same thing. For about 4 years we were telling the American people that we were paying down the public debt. That was true. The implication was that we were paying down the debt which the government owes and that was not true. Let me explain why that was not true.

The total debt that we owe is called the national debt, and that is made up of two subparts. One of those subparts is the public debt, and the other subpart is the trust fund debt. The public debt is the Wall Street debt. And the lockboxes we had on Social Security and Medicare, and these lockboxes did nothing to preserve and protect Social Security and Medicare, they are totally unrelated to the future of these two funds, what the lockbox said was if we had a surplus, and we did and do for the moment in those two, that we can-

not use that surplus for ordinary spending. We have to use it to pay down the debt. The debt that we pay down with that is the public debt. But for every dollar that we pay down the public debt, the trust fund debt goes up a dollar, and the total of those two debts, which is the national debt, does not change at all; but there are 50-some trust funds and only two of them had a lockbox or have a lockbox now.

So we took the surpluses, and there are surpluses in others, like the civil service retirement and railroad retirement and transportation trust fund and there are surpluses in some of those, and so we happily took those surpluses and spent them.

Mr. SMITH of Michigan. Mr. Speaker, our forefathers thought they were putting a little safeguard on it when they said if you ever increase the debt limit of this country, you have to vote in the House and the Senate, and it has to be signed by the President. They thought that might protect us a little bit in not dramatically increasing the debt the way we have. I think what the gentleman is saying is the fact that the total debt has never gone down.

Mr. BARTLETT of Maryland. That is true. I checked with GAO, and they told me that although there were 14 months during those four periods when revenues exceeded expenditures, if we kept our books on an accrual basis, like we force every business that handles more than a million dollars a year to do, there never was a moment in time when the debt went down. What that meant, of course, was that we were getting ever closer and closer to the debt limit ceiling. I kept teasing Members by quoting the Bible, "Surely your sin will find you out." What are you going to tell the American people when we are going to have to raise the debt ceiling limit when we have been telling them all this time that we are paying down the debt?

As a matter of fact, we had to do that in a very interesting evening. We debated until about midnight. We debated for hours. We were being harangued, how could you be so irresponsible? How could you run up the deficit and the debt? At midnight we recessed and we convened the Committee on Rules. They came out with a rule about 1 a.m. that said we were going to debate the rule for 1 hour and then go immediately to a vote on the bill. So we did that, and we raised the debt limit ceiling.

As Members know, because we were embarrassed by that, we decided we would not want to do that again in the future. So what we did, without my vote and against my wishes, we voted the Gephardt amendment.

Mr. SMITH of Michigan. Mr. Speaker, I hope Members are watching this just as a reminder of what we have done to try to not embarrass ourselves as we sort of secretly increase the debt.

Mr. BARTLETT of Maryland. What we did was to incorporate the Gephardt amendment, which said whenever we

pass a budget resolution that the debt limit ceiling would be raised whatever it needs to be raised to accommodate the spending anticipated by the budget resolution. But budget resolutions do not include emergency supplementals, and we keep voting emergency supplementals because we do not want the budget resolution to be such a high number.

In the future, there will be another debate on raising the American debt limit ceiling, and I hope America is listening when we do that. What we are doing is amassing the largest intergenerational debt transfer in the history of the world. We cannot run our government on current revenue, and so what we are doing is systematically borrowing from our kids' and grandkids' future. When I ran for Congress 12 years ago, I promised those who I hoped to be my constituents, and they are my constituents now, that I would try to conduct myself here so my kids and grandkids would not spit on my grave because of what I have done to their country. I am still trying to do that.

I think it is unconscionable for us to amass this larger and larger debt that we are going to pass on to our kids and grandkids.

Mr. SMITH of Michigan. Members are pretending that our problems today are so important that it justifies taking the money that our kids and grandkids have not even earned yet. It is sort of like breaking into their piggy bank and saying I will try and pay you back some time, but for now let us go out and buy some candy bars and ice cream. There might be a better word, but "unconscionable" comes to my mind to consider the burden of debt, to consider the burden of promises that exceed our ability to pay for them in terms of unfunded liabilities that we are placing on future generations.

Mr. BARTLETT of Maryland. What we are doing is systematically borrowing from our kids' and grandkids' future. We cannot run our government on current revenue, so what we are doing is borrowing from their future. When it comes their turn to run the government, not only will they have to run it on current revenues, but they will also have to pay back all of the moneys we borrowed from their generation.

We have a systemic problem here, and that is by law the only place we can invest these surpluses is in non-negotiable U.S. securities. These surpluses are the order of magnitude of about \$200 billion a year, more or less. The only place we can invest them is in nonnegotiable U.S. securities. There is no money laying around Washington we have not spent. As a general rule, government spends all of the money you give it plus as much more as it can get away with. This government is no different.

I think it is important for our people, our kids and grandkids, to understand what we are doing. The reason I am so

concerned about this fact that we are hiding some of the deficit is that it is obscuring the magnitude of the problem. I think the American people want us to balance the budget, and I think they want us to do it honestly.

Last year we were told that the deficit was about \$500 billion, but the debt went up \$700 billion. That is because the \$200 billion in Social Security surplus and Medicare surplus that we took and spent is not called deficit, but it does represent debt.

Mr. SMITH of Michigan. Mr. Speaker, this pie chart shows that currently the interest that we are paying on the debt, servicing the debt, the interest is \$240 billion a year. This represents 14 percent of the budget. Yet interest rates are almost at record low levels, and so what happens as we increase the debt by \$500 billion to \$700 billion a year, and interest rates go up, and Alan Greenspan said today that is going to eventually happen, it is going to eat up a bigger piece of that pie. One of these days it has got to come to our obvious attention that something needs to be done to control spending.

Mr. BARTLETT of Maryland. I would hope, because we cannot continue to amass this ever-increasing debt. As the gentleman stated, interest rates are now very low, and still interest on the debt is a meaningful percentage of the largest item in our budget, which is defense. When interest rates go back to normal levels, the interest on the debt will be just about as much as we are spending on defense.

Mr. SMITH of Michigan. Right now interest is 14 percent of the budget. Defense is 20 percent of the budget. It is easy to at least assume there is a good possibility that the very low interest rates today could double. That would mean \$440 billion a year, or 28 percent of the budget. It would mean our borrowing and servicing that debt is more important than what government should be paying attention to, and that is security and defense.

Mr. BARTLETT of Maryland. By the way, the interest on the debt is part of what we call mandatory spending. Our total expenditures this year will be about \$2.4 trillion. We will vote on about one-third of that, about \$800 billion, and about half of that will be defense. Defense is running roughly half of our total discretionary spending. This mandatory spending is kind of hidden, but it represents two-thirds of all of the money that we spend.

□ 1700

Mr. SMITH of Michigan. And, Mr. Speaker, of course the lobbyists that come in, they would prefer that it be mandatory spending; so some of these programs, if they can write it in law that if they meet certain qualifications, they automatically get it and it does not go through the appropriation process, it is not subject to prioritizing. So we have ended up with more and more of our budget being spent in this mandatory spending, and

really even though technically defense is discretionary, most of the defense budget becomes the kind of obligation, because that is what we are here for, defense and security, becomes almost untouchable.

Mr. BARTLETT of Maryland. Mr. Speaker, a bit more than half of all the expense budget is salaries, and we now do not have enough military personnel, who are having to extend their tours. They have been on the ground over there, reservists on the ground for a year, and now they are being extended for 3 or 4 months. So obviously unless we are going to have fewer people in the military, we are not going to be able to cut defense spending.

So the gentleman is right. In a sense a lot of that is mandatory because we cannot imagine a smaller military because our present military is really not large enough to do what we are now attempting to do because we are having to extend reservists who have already been there a year.

Mr. SMITH of Michigan. Mr. Speaker, how do we change? How do we develop the kind of discipline, intestinal fortitude to start slowing down this huge growth of government to the extent that we have decided we will simply borrow more and more money to take home to our districts or to start new social programs? Does the gentleman have any thoughts on how we can discipline ourselves better than we have been?

Mr. BARTLETT of Maryland. Mr. Speaker, we need to get back to constitutional government. Thomas Jefferson said, The government which governs best is the government which governs least. Now we are a million miles from his dream of what his country would be at this time in history. And we need to look at our Constitution at what our Founding Fathers believed the Federal Government ought to be doing.

And there are several things that we spend a lot of money on, and I will challenge my colleagues to go to Article I, Section 8, and that is the part of the Constitution that delineates the appropriate functions, the allowable functions of the Federal Government, and find any justification for philanthropy. I really believe in philanthropy, but they did not believe it was the proper function of the Federal Government. We will see no hint there that we should be involved in health care other than the health care of our military people. We are responsible for them. We will find absolutely no hint that we should be involved in education. As a matter of fact, for the 24 straight years when the SAT scores were falling lower and lower and lower in our schools, the Federal Department of Education was getting better, bigger and bigger and bigger, and exerting more control over education. We contribute about 6 percent, 5.9 I think is the actual number, percent of the funds for education. We would like to have 100 percent of control. We just need to get back to constitutional government.

Our Founding Fathers believed that States do some things better, many things better, than the Federal Government. They believed that the private sector did most things better than government. And what we are now trying to do is to have government do more and more of what our Founding Fathers thought that the private sector ought to be doing.

Mr. SMITH of Michigan. Mr. Speaker, I think it is good to remind ourselves that our Founding Fathers in the original Constitution did not want to penalize individuals that were going to school and working and saving. So the original Constitution says we cannot have a tax based on how much we earn, and that is what we were founded on. That is part of the incentive. But this body and Congress and the White House over the last 50 years have decided trying to equalize that wealth, dividing the wealth, taxing the people that have made it a little more and giving that back in some forms of government service to the individuals than have not. And there is a balance there. There is a golden mean.

We want to help people that really need help, but we need to try to develop programs that help lift them up because we have got now a tax system that the young couple that decides to go get a second job ends up not only being taxed more for working harder to try to earn enough money to do well for their family, but they get taxed at a higher rate. So we have sort of evolved into taking away from the people that work hard and try and are successful, and dividing that wealth in a system of government where now 50 percent of the adult population of the United States now pay less than 1 percent of the total income tax.

Mr. BARTLETT of Maryland. Mr. Speaker, our Founding Fathers not only did not permit personal income tax in the Constitution, they prohibited it with the original Constitution. So to get a personal income tax, we had to amend the Constitution.

The numbers that the gentleman mentioned are very interesting. The lower 50 percent of taxpayers pay 4 percent of our taxes. The upper 50 percent of taxpayers pay, I think, 96 percent of our taxes. And the top 1 percent of taxpayers, I think, pay 34 percent of our taxes. So if we are going to give a tax cut to people who pay taxes, people who pay taxes are going to get a tax cut. And since 34 percent of the taxes are paid by the top 1 percent of wage earners, and the top 50 percent of wage earners pay 96 percent of the taxes, clearly those who earn money are going to get a tax cut because they are the ones who pay taxes.

Mr. SMITH of Michigan. Mr. Speaker, so there we come to the popular criticism that it is a tax cut for the rich, but because of the fact that that 50 percent of the population pay essentially very little of the income tax, when we have any kind of a tax cut, it tends to go to the 50 percent that do pay taxes. So here again it is a balance.

But as we talk about jobs and economic expansion, when we have a system that taxes our companies and our businesses 18 percent more than what their competitors in other countries are taxing their businesses, we are putting our business at a competitive disadvantage, and our overzealousness to pass on new regulations and more taxes so that this body and the Chamber across the Capitol can have more money to spend I think is one of the negatives and something we have to correct if we are going to expand business and jobs and the economy in this country.

Mr. BARTLETT of Maryland. Mr. Speaker, in a former life I was a small businessman, and I would like to make the argument for a moment that it is impossible to tax business. A tax on a business simply becomes a part of the cost of doing business. If they are going to stay in business, they have to pass that cost on to the consumers, to their customers, which makes a tax on business the most regressive tax we have because the poorest of the poor pay more for everything they get, more for their food, more for their clothing, more for everything they get, all goods and services, because these companies are taxed. So the poor are hurt, first of all, because everything they buy costs more because we are taxing businesses. And, secondly, they are hurt because the tax on business, as the gentleman pointed out, makes them less competitive in a global marketplace. So finally they become noncompetitive, and the job disappears here and appears somewhere on the Pacific Rim. So the poor person who had to pay, to begin with, more for the things he bought now does not even have a job to earn the money to buy the goods. So it is a doubly regressive tax.

My liberal friends, when we talk about this, seem to understand it for about 5 minutes, but 10 minutes later they are saying, those rich businesses, we really need to tax them. But in the final analysis we cannot tax a business. It simply becomes a part of the cost of doing business, and they pass that tax on to their consumers.

Mr. SMITH of Michigan. Mr. Speaker, I happen to be the prime sponsor of the flat tax. But whether it is a flat tax or a value-added tax or a type of sales tax, we need to change our Tax Code if we are not going to continue to put a lot of people at a disadvantage and a lot of businesses at a disadvantage. Most of our businesses pay the same 1040 personal income tax that the gentleman and I do. As we increase the tax on those businesses, it hurts the chances of the survival of that business.

How do we get the discipline? How do we get the discipline to police ourselves? We are talking about a PAYGO bill. Maybe that will help. It sort of helped during the 1980s and some of the 1990s, but convincing the American people, I think, might be the best way in terms of getting that voice heard in

this Chamber and in the Senate Chamber and at the White House.

Mr. BARTLETT of Maryland. Mr. Speaker, I think there are two ways that we can discipline ourselves. The first is that we need to understand that it is unconscionable to amass an ever larger and larger debt that we are going to pass on to our kids and our grandkids.

By the way, the gentleman was talking about Social Security earlier. A recent poll of young people believe more that they would see a UFO than believe they would ever see a Social Security check. So this is not a big vote of confidence in our system.

I think there are a couple of things that we need to do to curb spending. One is to recognize how unconscionable it is to continue to amass a larger and larger debt we are going to pass on to our kids and our grandkids. And the second thing is we need to go back to the Constitution. We would not have any problem in spending if we would just stop the spending on things that are unconstitutional.

There was a very interesting speech that Davy Crockett gave in the Congress. There was a fire, when he was here in Congress, over in Georgetown, and they could see the buildings burning over there, and there were a number of people who were burned out of their homes, and one of them was a widow woman for whom everybody felt sorry. So a couple of days later, the Congress voted \$20,000, which is not much today, it was a whole lot more money then, \$20,000 to help the victims of this fire.

Davy Crockett was campaigning a bit after that, and there was a farmer in a field who came to the end with his horses and stopped them, and he told Davy Crockett, I have always voted for you in the past, but I cannot vote for you anymore. And Davy Crockett asked, Why can you not vote for me? So he reminded him of this fire. He reminded him of what they had voted. And he said, Sir, that was not your money. That was my money. Philanthropy is not a proper function of the Federal Government. I cannot vote for you anymore.

Davy Crockett came back and gave a speech, and I am sure people can find it if they go on the Web and click on Davy Crockett. They can find his speech there. This was a great speech. It points out that no matter how philanthropic that is, that that is not a proper function of the Federal Government.

As a matter of fact, the Bible says, "It is more blessed to give than to receive." Does the gentleman from Michigan know a single person who has a good warm feeling on April 15 because so much of their money is going to philanthropy? Has not the government usurped the role of philanthropist and denied our citizens the reward that the Bible promises, that it is more blessed to give than to receive? A whole bunch of the money that the



government forcibly takes from us on April 15 goes to philanthropy, a totally inappropriate function of the Federal Government, a constitutionally denied function of the Federal Government. And because they thought that we might not understand, 4 years after the Constitution was ratified, they ratified the first 10 amendments, the tenth of which, the most violated amendment in the Constitution, the tenth of which says it in everyday English, and we cannot find it in Article I, Section 8. The three things I mentioned I cannot find there. And I defy anybody to take out their Constitution and find it.

Mr. SMITH of Michigan. Mr. Speaker, the gentleman from Maryland (Mr. BARTLETT) carries the Constitution in his pocket.

Mr. BARTLETT of Maryland. I always have a Constitution next to my heart.

Mr. SMITH of Michigan. Mr. Speaker, I want to show this chart of what government has done historically every time Social Security has less money than what is needed to pay benefits, and it is a pay-as-you-go program. It is deducted from the paycheck at the end of the 1 week or the 2 weeks or the month, and within days it is sent out to beneficiaries. So there is no savings account with one's name on it. So we have run into problems of not having enough money in Social Security to pay benefits on several occasions, but what we have done historically, and I use this because I think it is a danger of what can happen in the future, is simply that we have increased taxes and reduced benefits. This is a chart that shows the increase in taxes.

In 1940, we had 2 percent of the first 3,000. By 1960, it went up to 6 percent of the first 4,800. By 1980, 10 percent-plus of the first 26,000. In 2000, 12.4 percent of the first 76,200. And currently it is not a rate increase, but it is a base increase; so it is the same 12.4 percent on the new base of \$89,000 a year. So continually we have continued to increase taxes on working Americans to the extent that most working Americans now pay more in the Social Security tax than they do in the income tax.

Mr. BARTLETT of Maryland. Mr. Speaker, I object to calling this Social Security because it is clearly not Social Security. If that is all one has at their retirement, they are in a world of pain and hurt. If we look at those dollars over there, we see that on many pay stubs the FICA tax is the biggest tax that we pay. That worker has every right to believe that since it is called Social Security, because it is the biggest tax item on his pay stub, that it is Social Security. So he is not doing what he ought to be doing, saving providently for his retirement.

We need to change the name of that. It is not Social Security. It never was Social Security. It never was intended to be Social Security. But the tax has gotten so large, and it has gotten large because originally there were 42 people working for every 1 on Social Security.

Today it is three people working for every one on Social Security. Shortly it will be two people. That is a pretty heavy burden to carry, two people supporting one. That is why the trust fund will be depleted.

□ 1715

We will be able to meet only 70 percent of the demands on Social Security.

Mr. SMITH of Michigan. So the challenge is Social Security has an unfunded liability of about \$12 trillion now. But now we have made even more promises in Medicare and Medicaid. So not only deficit spending is how much we overspend in one year; the debt is adding up every year's overspending. It is now over \$7 trillion of debt in this country, in addition to the promises that do not know how we are going to pay for.

But within the next 3 months, Congress probably again, as the gentleman from Maryland (Mr. BARTLETT) and I talked earlier, is going to have to face up to increasing the debt limited. My guess is we will do it again like we have done in the past, so that we do not have to talk about it, so we are not embarrassed in this Chamber. It will be some legislation that is hidden in the rule, so if you vote for the rule you vote for an increase in the debt limit, which I think should disturb us, because it does not make us stand up and deal with the huge challenges we are facing in this country in terms of overpromising and overspending.

Mr. BARTLETT of Maryland. \$7 trillion is a very big debt, but I would like to talk for a moment about the debt.

If we kept our books like we force companies to keep their books, and some people say that we keep Enron-type of books, if we had to count as debt the contingent liabilities, our debt would not be the \$7 trillion. It would be, I am told, between \$25 trillion and \$30 trillion, and some people think as much as \$60 trillion.

I think that we need to keep the kind of books that we require businesses to keep. I think the American people have a right to know what the debt is that totally they owe. If you divide this by the number of working families, I think it is, what, about \$10,000 for every man, woman and child in the country.

Mr. SMITH of Michigan. The debt is \$7 trillion divided by about 290 million. It comes out to almost \$25,000 for every man, woman and child in terms of their share of the debt.

Mr. BARTLETT of Maryland. That is about \$10,000 per family. Just paying interest, by the way, the first thing that comes out of your paycheck is interest on the debt. Before you can do anything, before you can build roads or fund your schools or do anything, you have got to pay interest on the debt. So it comes right off the top. Every year we do not balance the budget makes it that much harder to balance the budget next year, because we have a larger interest debt to pay.

By the way, in our fondest dreams today, in 4 or 5 years we are going to cut the deficits in half? That will not get us there, will it?

Mr. SMITH of Michigan. No plans. I do not see it in terms of responsibility much different than what any family should do, what any business should do, and that is you cannot just keep going deeper and deeper into debt without any plan to ever pay that debt back.

I am a farmer from Michigan, the gentleman is a farmer from Maryland, and philosophically we felt that if we can pay down the mortgage on the farm so that we can leave our kids a little better chance of having a better life than we have, we should.

But in this body, in Congress, we are not doing that. We are not only not paying down the debt; we are increasing the debt load that they are going to have to be responsible for, and the tremendous amount that is going to have to come out of their pockets to pay the increased promises and even the interest on the debt, not even mentioning starting to pay that debt down.

Mr. BARTLETT of Maryland. The gentleman mentioned the family as an analogy of our country. In a 4-year period, we went from being the world's largest creditor Nation to being the world's largest debtor Nation. I saw a fascinating editorial that said, gee, is that not great? Look how credit-worthy we are.

I related that to my family. I said, gee, if last year I had \$10,000 and this year I owe \$10,000, I am having some trouble figuring out that I am better this year than I was last year.

That is what this editorial was saying: Is it not nice that we are so credit-worthy that we now are the world's largest debtor Nation? We in 4 years, we went from the world's largest creditor Nation to the world's largest debtor Nation.

Mr. SMITH of Michigan. It is a whole different 1-hour debate and discussion; but just, for example, one country, we have \$100 billion deficit trade with China, and what does China do with that extra \$100 billion? They probably invest it in our companies, or buy some of the property in the United States. So it makes this country more vulnerable.

But in terms of the total debt, both our Treasury bills, the debt of companies, we are becoming more and more dependent on other countries.

It is time we took ahold of ourselves, pulled ourselves up from our bootstraps, and started to be responsible, and not leave the kind of debts and responsibility to our kids and our grandkids simply because we think our problems today are great.

I thank the gentleman from Maryland for joining me.

#### SUPPORT THE VOTER CONFIDENCE AND INCREASED ACCESSIBILITY ACT

The SPEAKER pro tempore (Mr. BURNS). Under the Speaker's announced policy of January 7, 2003, the